NPTA MANAGEMENT NEWS

APRIL 1985

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Managing Change in Physical Distribution...

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NPTA MANAGEMENT NEWS

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Cover Photo:
Ben Asen

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LESLIE PAPER OPENS NEW TEXAS CENTER

Leslie Paper Company recently announced the opening of a full-service distribution center in the Dallas-Ft. Worth market. The office/warehouse complex represents a significant expansion over the Leslie brokerage office created there three years ago and reflects the company's commitment to the Southwest market.

The new manager of Leslie's new Texas region is William Mitchell, former manager of the Iowa-Illinois region. Chuck Fish, formerly of the Des Moines region, has been appointed Texas mill department manager.

MACTAC PURCHASES PERMACOLOR

MACtac, a subsidiary of Bemis Company, of Stow, OH has announced the purchase of Permacolor and selected assets of Segel Laboratory, both of Merion, PA.

MACtac is a world leader in the production of pressure sensitive adhesives and is involved in the protection of photographs with its CoolMounts optically clear film. This product development of protective materials is closely paralleled by Permacolor and the Segel Laboratory.

"Integrating Permacolor's technology with our own will greatly accelerate the progress of protecting photo imaging products," said Robert Mlnarik, president of MACtac.

New products are already being developed under the Permacolor name as a result of the merger of the two companies' technology and experience.

SCOTT TO DOUBLE SOMERSET MILL LIGHT WEIGHT COATED CAPACITY

Scott Paper Company recently announced a new expansion program to begin the fourth quarter of 1986 at its Somerset paper mill in Skowhegan, Maine. This project will add a second advanced technology paper machine capable of producing 215,000 tons per year, adjacent to the existing machine that began in 1982.

Philip E. Lippincott, Scott Paper Company chairman and chief executive officer, said the new machine will help Scott's S.D. Warren division further expand its position in the growing market for lighter weight coated papers for newspaper advertising inserts, catalogs, direct mail, specialty magazines and book publishing.

"Construction of the second machine, which will be a duplicate of the existing one, will double our lightweight capacity making Scott a major factor in the market," Lippincott said.

Scott Paper has traditionally been a leading manufacturer of heavyweight grades of fine coated printing papers used for various publications. Their coated paper strategy is to continue to expand its position in the heavyweight business while significantly increasing its position in the faster-growing lightweight market.

"By locating the lightweight production at Somerset, other mills in the S.D. Warren system have been able to focus resources on other grades." Lippincott said, "Each mill in the manufacturing system is now dedicated to making the grades it is best suited to produce. This has both improved manufacturing efficiencies and enhanced Warren's service capabilities."

WIGGINS TEAPE, THE UK'S LARGEST MERCHANT, GROWS LARGER

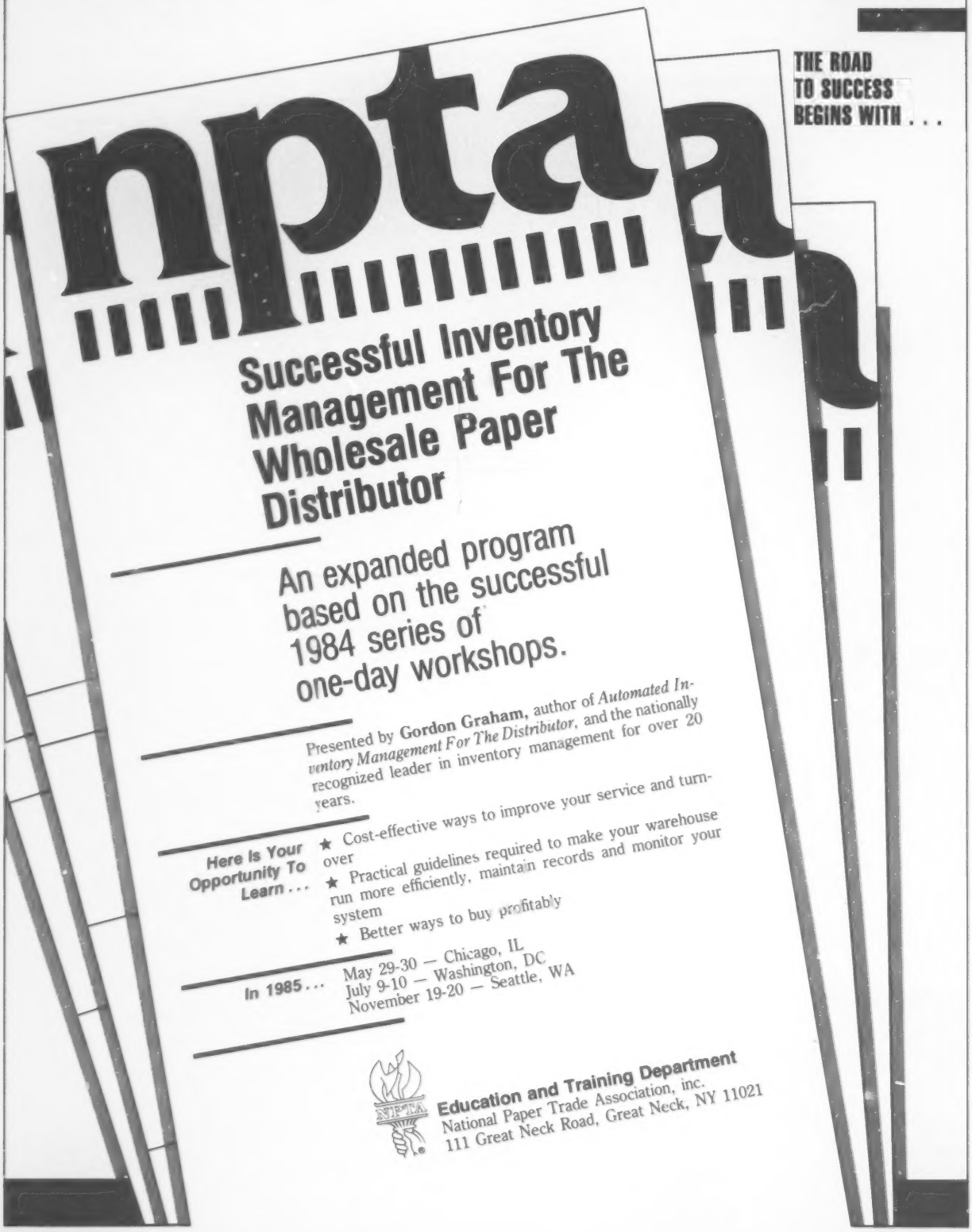
The Wiggins Teape Group has announced its acquisition of Spicer-Cowan Limited and R.H. Robinson and Company Limited from Reed International P.L.C.. Spicer-Cowan and R.H. Robinson are the United Kingdom paper and packaging merchanting subsidiaries of Reed International.

Wiggins Teape, the UK's largest paper merchant and trader, sees substantial operational benefits in the merger of the companies that will create a strong force in a highly competitive market. The customers of the companies now can benefit from being able to obtain a wider range of products from one source. In addition, the merger will result in the creation of major regional distribution centers that will ensure optimum customer service throughout the UK.

"Our paper merchanting activity is an increasingly profitable, stand-alone business and has high standards of customer service," said John Worlidge, chairman of the Wiggins Teape Group. "Our

Permacolor System: cold mounting process laminating photographs under pressure.

Educational Programs 1985



THE ROAD TO SUCCESS BEGINS WITH . . .

Successful Inventory Management For The Wholesale Paper Distributor

An expanded program based on the successful 1984 series of one-day workshops.

Presented by **Gordon Graham,** author of *Automated Inventory Management For The Distributor,* and the nationally recognized leader in inventory management for over 20 years.

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- ★ Cost-effective ways to improve your service and turnover
- ★ Practical guidelines required to make your warehouse run more efficiently, maintain records and monitor your system
- ★ Better ways to buy profitably

In 1985 . . . May 29-30 — Chicago, IL
July 9-10 — Washington, DC
November 19-20 — Seattle, WA

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acquisition of Spicer-Cowan will make a significant contribution to the stability and future development of the UK paper industry. We now have an excellent base for further improvements in customer service while still maintaining growth in profitability."

Plans have been developed to integrate the two sales and distribution networks within the next few months. The companies will continue to operate under their existing names until the acquisition process is completed.

U.S. TALKS WITH JAPAN ABOUT PAPER

The U.S. and Japanese Governments are scheduled to begin high-level trade talks on forest products, API reported recently. These trade discussions are a result of an agreement between President Reagan and Prime Minister Nakasone and are seen as a major breakthrough in the paper industry's attempts to gain more access to the Japanese market.

Industry To Open Japanese Market

API's Asia Subcommittee strongly endorsed the U.S. approach to these talks and is actively supporting U.S. negotiators in preparing for them. The U.S. negotiators plan to direct questions at their Japanese counterparts regarding the range of impediments to U.S. exports such as tariffs and invisible barriers that are a result of the Japanese system of business.

NY MERCHANTS TO SPONSOR TRIP

The New York Paper Merchants Association is sponsoring a trip to Rio De Janero and Buenos Aires for their Winter Seminar 1985. The trip will take place from November 14 to November 21, 1985 and is open to all industry members and friends.

The price is $1,050 and includes round trip air fare, six nights accommodations with breakfast, three formal dinners, welcome cocktail party and farewell banquet. Also included is an all day tour of Rio City.

For reservations and more information, contact Mr. Alan Wexler, New York Paper Merchants Association, 292 Madison Ave., New York, NY (212) 867-9660.

GNN PAPER DISTRIBUTION REPORTS HEALTHY YEAR

Great Northern Nekoosa reported that its "paper converting and distribution" generated net sales of $606.2 million representing a 32.4% increase over 1983. (Interestingly, 1983 sales were 32.4% ahead of 1982.) Operating income for this business segment was $31.4 million — up 16.5% from a year ago.

Most of the contribution to the above figures is from GNN's Butler Paper Company headquartered in Englewood, CO. Butler has 85,000 customers being serviced from 64 locations throughout the country.

PEOPLE IN THE NEWS

Frederick J. Robbins has been appointed executive vice president of Mead Merchants. **John R. South** has been named vice president/general manager of Mead Merchants-Jacksonville and **Larry Rice** has become packaging sales/marketing manager for Mead Merchants-Detroit.

Francis G. Walker has been elected vice president of Great Northern Nekoosa Corporation. **Richard A. Coffey** has been named vice-president/general manager of Chatfield Paper-North Haven division and **William L. Bryant** has been promoted to branch manager-Springfield division. **Paul Lamoureux** has become vice president/general manager of Chatfield Paper-Providence division.

Steve Carter has been appointed manager of Butler Paper Company-Omaha branch and **Dennis Miller** has been named manager of the Lufkin, Texas branch. **Robert Bates** has been promoted to general sales manager of the Denver division, **Janice Apple** has been named operations manager and **Wayne Poff** has become marketing manager.

Frank D. Andruss has been named industrial products manager of Blake, Moffitt & Towne-Los Angeles division.

Tom Wagner has been promoted to regional sales manager of The Paper Company, Sioux Falls, SD.

Robert A. Schumacher has been elected president and chief operating officer of Georgia-Pacific. **Conrad Schweitzer** succeeded Schumacher as executive vice president-pulp and paper. **Ronald P. Hogan** was promoted to senior vice president-distribution division.

Ronald Budzik, vice president of Government Affairs, Mead Corporation, has been elected Chairman of the API State Government Relations Committee and **Louis F. Laun**, president of API will continue in his present position for six months beyond his anticipated retirement date. He will retire on December 31, 1985.

Jon R. Lafrenz has been named vice president and general manager of Boise Cascade-White Paper Division.

Gary W. Pichon has been elected president of Mead Corporation's Gilbert Paper-Wisconsin.

Richard W. Feldman has been appointed vice president-business development of A&E Plastics, Inc.

Dedric W. Bergstrom, president-Bergstrom Division of P.H. Glatfelter Company retired on December 31, 1984.

Peter J. McLaughlin, chairman and chief executive officer of Union Camp Corporation, will retire at the end of the year and **Raymond E. Cartledge**, president and chief operating officer, was elected to succeed him.

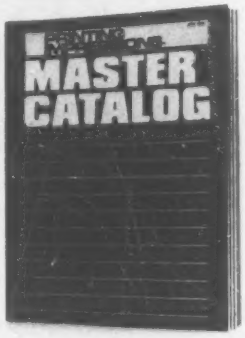
Arthur Newth-Morris, founder and chairman of the executive committee of Rock-Tenn Company, passed away on January 14, 1985.

Kenneth A. Thomson, general sales manager for Penntech Papers, Inc. of White Plains, NY, died on February 3, 1985. He had been with the company in a sales management capacity for 7 years.

NPTA MERCHANTS TO BE LISTED IN 1985 'MASTER CATALOG'

The publishers of *Printing Impressions* magazine have entered into an arrangement with the National Paper Trade Association to list all member firms that handle printing paper. The special NPTA merchant section will appear in their special July, 1985 issue of the "Master Catalog."

Merchant members of NPTA throughout the United States will be listed free of charge in the publication. The "Master Catalog" is sent to the 90,000 subscribers of *Printing Impressions* magazine and is a resource that is used all year long by commercial printers.



In addition to the new NPTA merchant section, the catalog includes 600 pages of information on the great variety of equipment and supplies available in the United States.

Merchant members of NPTA that sell printing papers are now being approached by North American Publishing—the company that publishes *Printing Impressions* magazine and its "Master Catalog." Advertising rates for NPTA members in this special section (which is *only* available to NPTA members) is at a greatly reduced price. "Merchants wishing to make a small advertising investment may reap large rewards," said Frank L. Nemeyer, vice president of North American Publishing. "This section is a very useful member service for NPTA members." Whether merchants advertise or not, this catalog listing will be helpful to them in 1985.

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We can give your sales force a closing technique that works 75% of the time.

There's a closing technique that *works 75% of the time.* If your sales force doesn't know about it, you're probably losing business to someone who does.

Within the past few months, Xerox Learning Systems has taught this technique to hundreds of companies like yours. And we'd like to share it with you.

A new way to get high-yield results on every sales effort.

It's part of an all-new program called Professional Selling Skills System III. This new system is a major sales training breakthrough. A scientific approach that can train your people to sell with *high-yield results* they've never had before.

They'll learn how to recognize and sell to a customer's true needs. How to keep from wasting time on surface needs that don't motivate people to buy. How to turn a customer's objections into selling points. How to catch hidden signals that will help overcome the stall. How to *make new sales records. And then break them.*

Xerox put millions of dollars into the development of PSS System III. It is built on the theories of the original, famous PSS program, but with powerful differences.

New skills that are the outgrowth of extensive new research, new insights that will make your people more professional, and new follow-up that *trains your managers to coach in the field.*

Sales training that pays off on your bottom line.

This is truly a blue chip training investment. Researched and tested to make success a certainty. It can help a company build an invincible sales force. And there's no reason why that company can't be yours!

Call for a FREE preview booklet.

Call now. We'll send you a helpful preview booklet on PSS System III: *How to Put Scientific Certainty into Your Sales Training Investment.* Once you read it, you'll want to make that investment, because it's the one that will pay off for your whole sales staff.

Call Bruce Linden, NPTA, Director of Education and Training, 516-829-3070 or Timothy O'Regan, Xerox Learning Systems, 212-916-2150

Xerox Learning Systems

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PROFESSIONALISM IN TRAINING - TWO

Faced with the complexities of a dynamic business climate, today's CEO has become more aware of the growing need for effective training. Why? It is necessary to meet the challenges of staying competitive.

The manager must continually ask himself the paramount question, "What development experiences should I seek?" even though his time is a precious commodity. How the CEO addresses this training issue is an individual decision that reflects the specific needs of his company and its employees.

The main objective of NPTA's Education and Training Department is to provide the products and services that the CEO needs to help himself and his people do a better job. NPTA takes the responsibility to anticipate these needs by being aware of what the CEO feels is important and then constantly strives to improve its services and programs.

The following interviews allow two CEO's to share their training ideas and applications with the membership of NPTA. The Association firmly believes that the members are the most valuable resource in helping the NPTA continue to provide necessary programs and services.

Phillip L. Erickson, president of Blake, Moffitt and Towne of San Francisco, CA, and John Field, president of the Russell Field Paper Company of Bellwood, IL responded to the Association's training questions.

1. What are your training needs?
Erickson: Like any large company, we have continuing needs for training. Generally, this is in the areas of skill development and management development. Specific needs, for example, would be personal computer systems.

Field: Our training needs vary according to specific areas but, overall, we try to include some finance and marketing techniques for all our people so that they are aware of all aspects of the business world.

Basically, our needs for salesmen are in instruction in product knowledge and usage, territory management, individual sales techniques, company goals and performance standards. Sales service personnel are also trained in our particular products and their uses such as traffic routing and tracing. Our warehouse people are trained in inventory management.

NPTA takes the responsibility to anticipate training needs for paper merchants.

2. How important is training to your company? How does it tie into your company's overall goals?
Erickson: It's very important! It makes a great difference in our productivity; in our effectiveness. In our company (and ours is no different from many others) it is the sales growth objectives that can be directly tied-in to the ability of a sales force to sell more effectively. That is the goal of sales training. The better trained, managed and developed the sales force, the larger the growth rate.

In the area of asset management, the training is tied to improving people's ability to understand and manage. This is skill development that can be very directly tied to results. You can see the impact of training in things like short-term and long-term planning, even in one-year budgets.

Field: On-going corporate goals cannot be met without proper training and follow-up. Luck is only short term; long term growth must be managed.

3. How do you determine your training budget?
Erickson: There's often a difference between what we do and what we should do. Properly done, a budget should be developed from the bottom up. You identify the program needs, then you develop the costs on a per participant basis and allocate that on an annual cost to benefit basis. Given your income limitations in some years, you may not be able to do all that you want. But if you really do a good job of long-term planning, you can put parts of it in each year so that your program develops on a consistent basis.

Field: I don't. We're small enough to do whatever training is necessary because this aspect of our business is too important to be budgeted. You have to do training before you can have business.

4. How do you train your people now?
Erickson: It's primarily informal on-the-job training. Our operating divisions vary from totally unstructured and informal to a very formal orientation program in sales training. We supplement that with corporate programs. Example: the PSS 111 we've worked on with NPTA supplements our divisional efforts. In addition, we take advantage of selected vendor-sponsored or subsidized programs. Some of the better programs are from 3M, Scott Paper and International Paper.

We also identify individual needs, and use some outside programs like those from the American Management Association or NPTA programs, and some university programs that might be available.

Field: Twice each year, we have both company meetings and mill visits for all our sales people. This enables them to visit our suppliers and be brought up-to-date on their products. In addition, we have our sales people attend the NPTA Xerox program or equivalent and we utilize the Dale Carnegie sales courses and personal development workshops.

5. What role does in-house training play?
Erickson: It's significant. A company the size of ours can develop resources to do in-house training quite professionally. You first conduct train-the-trainer programs and develop your in-house training abilities. We're now doing this in the sales training area. We've developed people capable of handling the PSS 111. We also do all the product knowledge training in-house.

Field: Training can be examined in two parts: personal development and product

VIEWS FROM THE TOP

knowledge with the capacity to pass that knowledge on to the customer. For professional selling skills and personal development, we rely on outside help such as seminars and workshops. But, the product knowledge we impart ourselves. We do that through our bi-annual meetings and mill visits to continually upgrade our samples.

6. What role do you see video playing in in-house training?

Erickson: I think there are two roles. The video tape self-contained and individually paced program is one where a trainee can proceed through the program basically at his or her own pace. There are some excellent examples that we've used in supervisory training, hiring techniques, etc. The second role of video is in taping role playing and providing feed-back. These are extremely important in the sales training area.

Field: Looking at it from my company's point of view, video in training will play a relatively minor role. We are a non-traditional paper merchant, not a broad-line distributor selling from a catalog. We are a highly specialized company selling only a few product lines to a very limited, specific clientele so the video aspect of sales training may not be valid.

For general corporate development training, I could see some value, especially in receivables and inventory management. But, from an outside sales point of view, I don't see video being of much value to us.

7. How do you train your sales people?

Erickson: It's primarily in-house and it frankly varies greatly from location to location. We've got a lot of room for improvement in it.

Field: I do it mostly hands-on myself with two other people. We also rely heavily upon our mill contacts. We operate very closely with our suppliers because in most cases we are either the only, or one of just a few, sales outlets to which they send their sales trainers.

Again, I have to stress that we are not a normal paper merchant with multi-lines, we are a highly specialized business with a limited specific product line.

8. What is the ideal time each sales manager should spend in training his sales people? Realistically, how much time do you feel they really need?

Erickson: I don't think there's a general answer to that question. I have really struggled with that one myself. I don't think you can answer that categorically, it's a sliding scale. There's a greater investment up front, but diminishing as people gain experience. There always has to be some training done whether it's in demonstrating techniques or in correcting bad habits. At times, it's just to recharge tired batteries. But it is a major responsibility of sales management. The more junior and the more inexperienced the sales force, the more time managers have to spend doing training. I don't think this can be quantified because it really depends on the make-up of the sales force.

There's often a difference between what we do and what we should do.

Field: That's a good question and my answer will probably be much different than that of a more traditional merchant.

Most of what we do here is on-the-job training. It's not formal, instead it is on-going and unstructured. Once a salesman is producing within 40% of his forecast for the year, he should require little training but substantial supervision may be enough. As far as actual, formal training by the sales manager, once your men are no longer rookies, training time will be relatively small.

9. What are the most important management development areas you are concerned with? How do you deal with these in your training?

Erickson: There are three areas in management development that I feel are important. First of all, it's the managing skills. These are people development skills that management needs. They involve understanding of what motivates people and their needs. It's the psychology of helping people motivate themselves. Team building, and the organizing and delegating of work, are part of this.

So often in our industry we promote people out of the sales force or from other jobs where they've been doers, and then we expect them to be managers. That is often a quantum leap at the entry level, and we can give them a lot of assistance by covering those items I just mentioned.

Secondly, there is the area of asset management—including inventory and accounts receivable management. These are becoming increasingly important in our business. The third area is financial management skills. There are some excellent programs that we've used, such as "Financial Management for the Non-Financial Manager." We have to give people the ability to analyze performance through financial statements and have them understand cause-and-effect relationships. Taken together, these three items are extremely important in developing management.

Field: The two areas that we deal with are financial analysis and cost accounting. Job analysis is a distinct area for our company because the majority of our sales volume is generated by either manufacturing or converting functions. We also feel that it's very important to understand marketing versus sales. This distinction is very critical.

I would also like to add that the personal work habits of the people are a very important concern. Without some continuous instruction and follow-up, the detailed aspects of your business such as maintaining internal paper work can slip away from you and your profitability can suffer. You really have to keep working with your people, day-by-day, week-by-week,

month-by-month, to make sure that their personal work habits keep up with your expectations.

10. What role do you see NPTA's Education and Training Department playing?

Erickson: I think a very important one. One role NPTA plays is that of screening. There are so many programs out there. Once you get on a mailing list, you receive material weekly from various universities or professional training institutes or speakers' bureaus. The quality of these programs varies considerably. By screening them, NPTA performas a very important function for our industry.

NPTA also supports us by developing paper-related programs; those that perhaps are taking something that already exists and shaping it to more closely fit the needs of the paper industry. NPTA also subsidizes the costs by volume purchasing. A good example is the PSS program that we purchased through the Association. I think those are all important areas.

I said earlier that what we're doing and what we should be doing can be fairly far apart, and I think that's typically where much of our industry is. Our business is changing rapidly in terms of its markets, channels of distribution and the applications of technology. In order to deal with these changes, we're required to change just as rapidly, or fall behind. And I believe strongly that the major key to managing change is in the training and development of our people.

Field: For the smaller merchant like ourselves, we rely upon the NPTA to give us the Xerox programs, the YEF (Young Executives Forum) functions, and important information that we can disseminate to our employees. The NPTA is a very convenient way for us to get this necessary information instead of going to a seminar at Northwestern University or University of Chicago. These courses are not specific to our industry. The information from NPTA is much more relevant and much more focused for us. We're so small that we can't procure those seminars ourselves like Jim Walters Papers or Nationwide could. We can't justify the cost to do it that way. Therefore, the Association becomes the primary avenue for us.

EVENTS

APRIL

13-20. *Print '85 sponsored by NAPL, NPES and PIA, Exhibition will be held at McCormick Place, Chicago, IL. For more information contact Graphic Arts Show Company, (703) 734-8285.*

16-18. *NPTA Committee Week, Boston Marriott Copley Place, Boston, MA. Contact NPTA.*

18. *Marketing Value Added Services, San Antonio, TX. Contact NPTA.*

25-27. *Convention/Fiesta sponsored by the Southwestern Paper Merchants and Suppliers Association, San Antonio Marriott Hotel on the Riverwalk. For more information call (512) 452-4571.*

29. *Telemarketing - The Key To Maximizing Your Sales Efforts, Seattle, WA. Contact NPTA.*

30. *Telemarketing - The Key To Maximizing Your Sales Efforts, San Francisco, CA. Contact NPTA.*

MAY

1. *Telemarketing - The Key To Maximizing Your Sales Efforts, Los Angeles, CA. Contact NPTA.*

1-2. *First International Symposium on Competing in the Business Papers Market of the Future by* **Pulp & Paper** *magazine and Gorham International, Inc., Waldorf-Astoria Hotel, New York, NY. For more information contact David R. Allan (212) 683-9294.*

5-10. *Paper Distribution Management Development Program, Miami University, Oxford, OH. Contact NPTA.*

14-15. *Sales Development Conference, Atlanta, GA. Contact NPTA.*

15-19. *National Paperbox & Packaging Association's Annual National Convention, Wigwam Resort, A Mobil Five-Star, AAA Five Diamond, Gold Key and Moorand Award Winner, located in Litchfield Park, AZ.*

29-30. *Successful Inventory Management For The Wholesale Paper Distributor, Chicago, IL. Contact NPTA.*

JUNE

4. *Telemarketing - The Key To Maximizing Your Sales Efforts, Memphis, TN. Contact NPTA.*

5. *Telemarketing - The Key To Maximizing Your Sales Efforts, Atlanta, GA. Contact NPTA.*

6. *Telemarketing - The Key To Maximizing Your Sales Efforts, Ft. Lauderdale, FL. Contact NPTA.*

11. *Marketing Value Added Services, Indianapolis, IN. Contact NPTA.*

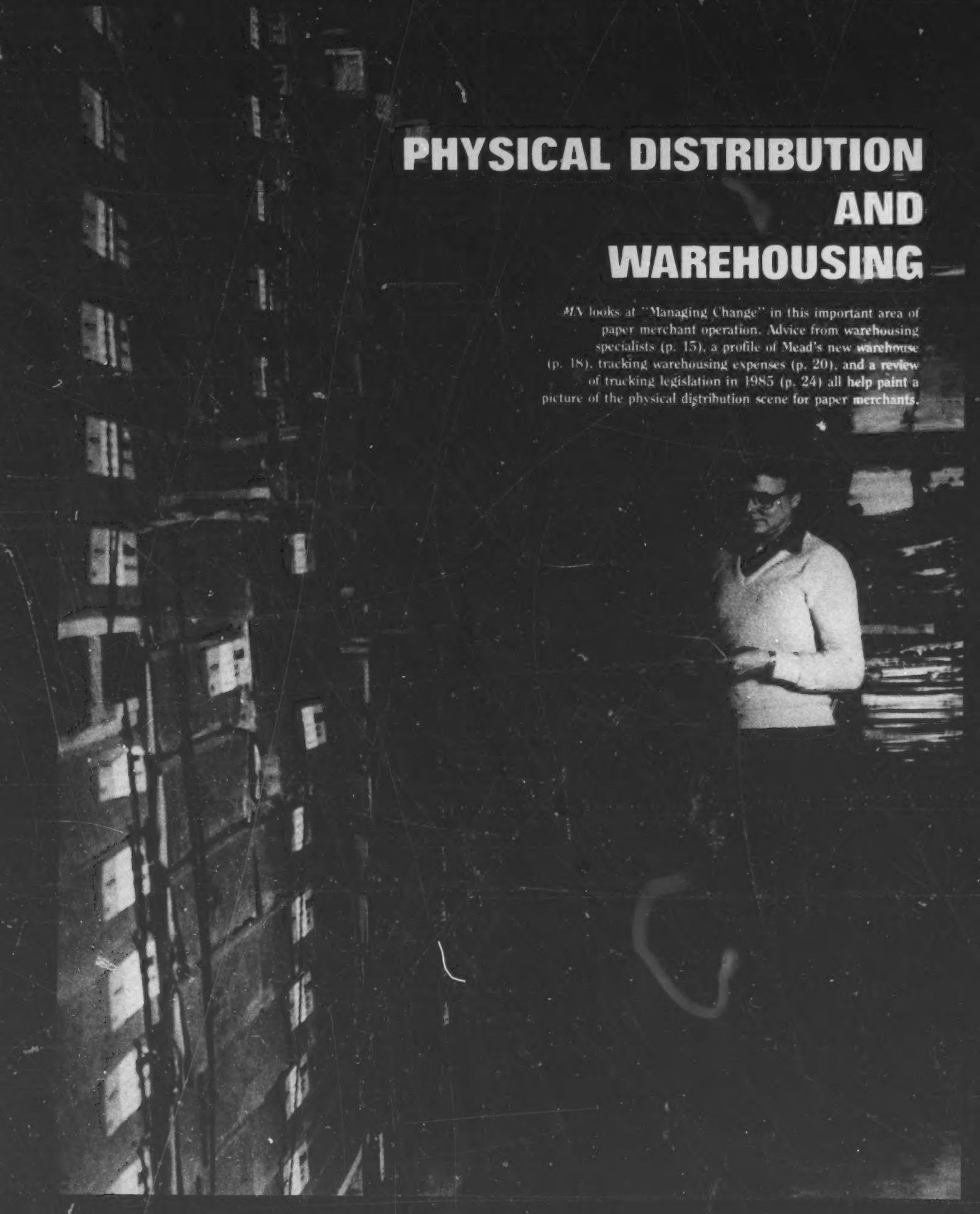
25. *Telemarketing - The Key To Maximizing Your Sales Efforts, Philadelphia, PA. Contact NPTA.*

26. *Telemarketing - The Key To Maximizing Your Sales Efforts, Boston, MA. Contact NPTA.*

27. *Telemarketing - The Key To Maximizing Your Sales Efforts, New York, NY. Contact NPTA.*

PHYSICAL DISTRIBUTION AND WAREHOUSING

PA looks at "Managing Change" in this important area of paper merchant operation. Advice from warehousing specialists (p. 15), a profile of Mead's new warehouse (p. 18), tracking warehousing expenses (p. 20), and a review of trucking legislation in 1985 (p. 24) all help paint a picture of the physical distribution scene for paper merchants.



MANAGING CHANGE IN PHYSICAL

Jerry Gray looked at his watch. His desk was cluttered with papers all crying for attention, but all he could think about was that late tractor trailer. "Where could it be?" he thought. "There has to be a better way..."

Across the state, John Fitch uses his forklift to stack another carton on top of a leaning tower of boxes. "Every inch of the warehouse is full," he thought "and there are two more trucks to unload."

While in the deep South, Fred Smith places his 14th call that day to his mill. "Why can't I get the information I need?" he asks himself. "My phone bill alone is eating up my profits."

And so it goes around the country. Paper merchants are striving for a better way, a better system, a better management technique to make the movement and storage of products more efficient.

Many warehousing operations include some form of paper converting.

Management of change requires knowledge of what is changing. It is easy to conclude that *everything* is changing in paper distribution, but it is thought that if one pays attention to the basics, success will naturally follow.

Walter Moore, president of Unijax, has said that the five major ingredients of the successful paper merchant operation are "sales, sales, sales, sales and sales." No one would dispute that this is a marketing and sales business and that selling paper is the life all paper merchants lead.

Mr. Moore's tongue-in-cheek remark during his address to the 1983 NPTA Annual Convention was meant to get people to think. He went on to recognize the need for cost-efficient distribution techniques especially if a merchant is involved in a high-volume business and when the pressures of competition demand it.

New attention is now being paid to the purchasing, moving, and storing of products and the movement of information that accompanies these products. Some refer to this system as "logistics." Materials move from manufacturer, through distributor to customer as a continuous flow with a variety of handling and storing operations along the way. Included here are the information-carrying documents as well. Taken as a whole, the study of these physical operations are capturing paper merchants' imagination.

Physical Distribution Emerges

It was not until the 1960s that the management of physical distribution as a separate concept came into being. It drew together into one package all the things people were managing separately: warehousing, order processing, transportation, inventory, etc.

Today, the study and analysis of physical distribution means developing stronger customer service while improving productivity. The physical distribution issue always boils down to a discussion of how to improve productivity. Whether it is using a computer to generate pick tickets, better ways to pack or route trucks, or building a warehouse with the latest design, the reason is productivity improvement—the beneficiaries are the merchant and his customers.

Warehousing

Storing paper products is and has always been one of the major concerns of all paper merchants. Good warehouse design and layout can add efficiency to any operation. On the surface, this all seems rather simplistic, but the functions that combine to make a successful warehousing

operation are complex: receiving, identification and sorting, dispatching to storage, placing in storage, storage, removing from storage, order accumulation, packing, scheduling, shipping and record keeping.

All of these functions performed in the typical paper merchant's warehouse are labor intensive; to streamline any of these functions will give the merchant a productivity boost and probably save him some money.

In addition to studying what goes on inside the warehouse, people are asking questions about where to locate new warehouses, public vs. private space, and centralization vs. decentralization.

Managers can help themselves by keeping up with the latest warehousing trends. In his December, 1983 report to the 5th International Conference on automation and warehousing, John A. White, director of the Material Handling Research Center reviewed the changes that will likely take place in warehousing:

1. Distributed Storage. Increased emphasis is being placed on locating storage closer to the user; increased levels of control are possible through integrated control systems and physical consolidation is no longer necessary to achieve satisfactory levels of control. The economies of scale associated with centralized storage can be offset by the benefits derived from giving individual operating managers responsibility for their own inventories. One, two, and three aisle AS/RS installations will become more common.

2. Public Warehousing. Previously public warehousing has been used predominately for storage of beverages, food, paper, and consumer goods. As more manufacturing firms specialize in marketing and manufacturing, they will shift more of the responsibilities for distribution to distribution specialists. The public warehouse will have increasing responsibility for functioning like regional distribution centers for many firms. In other cases, groups of companies will form co-operatives to perform the distribution function.

3. Off-the-Shelf Technology. Increased standardization of hardware and software will occur due to the increased demand for off-the-shelf hardware and software packages. The "off-the-shelf" movement will result in a greater emphasis on integration specialists who can combine standard components to meet specialized applications.

4. Product Identification. The lack of meaningful incentive systems for automatic identification manufacturers to support standardization of bar codes will result in greater emphasis being placed on direct methods of product identification. Vision based systems are anticipated to increase in quality and drop in price to allow a wide range of products to be identified without placement on the product of a bar code.

5. Receiving and Shipping. Increased attention will be given to automating receiving and shipping activities. Standardized shipping containers, scheduled receiving, electronic manifesting, automatic loading and unloading of carriers, as well as the application of robots and other forms of flexible automation, will receive greater emphasis. The high variety conditions common to receiving and shipping will be replaced by a disciplined approach to the functions with increased cooperation among suppliers, users, and customers.

6. Design for Automation. The automation movement will result in greater emphasis on long range planning and a broader view of the total system. The warehousing function will be considered within the total system and greater attention will be given to system optimization. Systems will be designed for automation, even if automation is not immediately justified; such non-automated systems will be designed to be easily upgraded to automated systems.

7. Computer Usage. The approach used in designing control systems will be changed, with greater emphasis on "lean systems." A separation will occur between the control system required for the hardware system to *function* and the control system used to *manage* the system. Greater emphasis will be placed on putting information in the hands of the user, as well as increased responsibility for system function. One result will be increased use of micro-computers by operating and management personnel in the warehouse.

PAPER MERCHANT PERFORMANCE

(Expense as a % of warehouse and indirect gross profit)

Distribution	Storage	Handling	Delivery
Printing	6.9	12.0	12.3
Industrial	6.5	8.7	14.6
Dual	7.9	10.7	12.5

Source: National Paper Trade Association, inc., 1984

For more complete merchant performance data, see "Management Information" on page 20.

8. Personnel Usage. Warehousing in a changing world will require personnel with greater skills. The previous approach of assigning to the warehouse the least skilled employee will no longer be possible. Greater education and training will be required for personnel in the warehouse of the future.

9. Modular Facilities. Increased emphasis will be placed on the design of modular facilities for warehouses. The benefits of flexibility, expandability, and construction cost economies will result in greater use of modular construction, including pre-engineered facilities.

10. Operating Systems. The increased use of computer control will allow increased optimization of operating systems. Dedicated and randomized storage will be displaced by more sophisticated shared storage systems. Order picking will be performed optimally. Multi-criteria optimization models will be available and simultaneously design for throughput and storage utilization. Increasingly, decisions will be based on analysis, which will be performed in real time.

Transportation

As the economy goes, so goes the cost of transportation. It is a fair statement, but there are a few things that paper merchants should keep in mind. According to Alan Phillips of Data Resources, the transportation industry is much more fuel consuming than the economy in general. The moderating fuel prices of late have helped stabilize the costs of transporting goods, but the battle is not over.

Also, fluctuations in unionized labor have made changes in trucking as a whole. Data Resources forecasts relatively slow growth in the 1984-87 period for transportation costs, but after that, fuel prices may again push costs even higher.

For railraods, wages are at issue. If the railroads can keep wage costs in check, they will be in better shape to generate more business. Data Resources projects labor may elect moderate wage settlements in exchange for greater job security.

No one would be surprised to hear that the cost of operating a private fleet of tractor/trailers rose 2% from 1982 to 1983. According to an A.T. Kearney study conducted for the Private Truck Council of America, the cost per mile reached $1.29. The Private Fleet Cost Index survey did point out, though, that some of that increase was offset by tightening up on productivity—equipment costs and driver labor. Also, loosening of regulatory constraints and improved management practices helped fleet operators reduce "empty miles."

As reported in *Handling and Shipping Management* magazine, specific areas where productivity improvements were seen included miles-per-tractor. In 1983, tractor miles rose 6% to 97,000. Driver miles increased by about 2% to 76,400. And, empty miles declined to 21% of total miles driven.

Labor costs, on the other hand, accounted for the greatest increase in 1983, but the difference between union and non-union wages narrowed. This is attributable, in part, to union wage concessions. Fleets with leased, non-union drivers had the lowest per-mile rates.

Leased equipment, in general, had the lowest operating cost. Michael Lipman of A.T. Kearney reports that leased fleets save money because of better utilization of both equipment and drivers. These fleets averaged $1.26 per mile in 1983 showing no increase over the previous year. Company-owned trucks cost an average of $1.34 per mile to operate, up 5¢ per mile over 1982. Smaller fleets (under 30 tractors) still had an edge over larger ones: $1.25 per mile vs. $1.37.

Transportation costs *can* be held down. Paper merchants are finding that their efforts in transportation cost containment are giving them a productivity edge.

Questions Merchants Should Be Asking About Transportation

- Which modes of transportation, or mix of modes, should be used?
- How should individual carriers be selected?
- What is the appropriate role, if any, of proprietary trucking or rail operators?
- Should the firm provide its own equipment, and, if so, how should that equipment investment be financed (i.e., lease or purchase)?
- To what extent should contracts be used in lieu of relying on carrier offerings under tariff terms and conditions?
- When and under what circumstances should intermediaries be used?
- Should the firm seek to control the purchase of transportation by changing its terms of trade?
- What information is required by transportation management, and how should data be collected and analyzed to provide that information?
- What human resources are required, and how should those resources be organized and deployed?
- How should technology be exploited? What level of investment should be made in facilities, transportation equipment, and materials handling and packaging systems?
- Ultimately, what financial resources, both capital and operating funds, must be devoted to the firm's transportation activities?

Source: Transportation Strategies For The Eighties; National Council of Physical Distribution Management.

WAREHOUSING SPECIALISTS TALK ABOUT STORAGE TRENDS

Managing the warehouse function. Paper merchants must do it and do it well. No matter how successful a manager is at physical storage, he or she always has something to learn from others across the country.

With that in mind, ***MN*** *asked three warehousing specialists about how they are handling their functions.* ***MN*** *wanted to know, simply, "what's new." And what was discovered was not that automation has been solving everyone's problems, but that warehousing management still requires hard work and the application of many tried-and-true principles.*

Niel Christensen is vice president, physical distribution for the Zellerbach Paper Group, part of Zellerbach Paper Company, a dual merchant, headquartered in San Ramon, CA. He emphasized that the merchants on the West Coast have a larger warehousing concern than their counterparts back East. John T. Couleur is vice president of operations of Inlander Steindler Paper Company, Elk Grove Village, IL. His company is an industrial paper merchant. Couleur pointed out some important things to look for when building a new warehouse.

Gerry Grant, manager of warehousing and marketing services of the Butler Paper Company, has his offices in Englewood, CO. He spoke with **MN** *about the changes taking place in the warehousing design.*

What is unique about your company's requirements for the warehousing function?

Christensen: We have a different kind of warehousing concern here in the West. For one thing, the labor rates are much higher here. This makes us look toward greater productivity through automation of the warehouse.

Because of the geography in the West, we tend to have more regional warehouses. In Portland, for example, we have delivery routes that extend out 200 miles.

At Zellerbach, we have used the regional warehouse approach with branches working out of those warehouses. The distribution network has become one of having all of the items in one major warehouse with the key items kept in the branch location. We then combine orders and transport them to the remote locations.

We tend to have larger warehouses than most. Our Los Angeles warehouse is close to one million square feet; our regional warehouse in Portland, OR is 300,000 square feet.

Couleur: This may not be terribly unique, but we make an effort in our business to keep those high transaction items as close as possible to the shipping exits. Through our computer's stock-status system, we can locate our products where they will save us time and money.

Our operation requires a warehouse that is one-story, extremely clean, and equipped with the appropriate transporting and loading equipment. ISP business requires racking systems that can handle both palletized loads as well as single carton items. And, of course, we need a bulk storage area.

If you were talking about paper distribution only, you might set up a warehouse in one fashion. We here at ISP are more than just paper distributors. We are in packaging, janitorial supplies, etc. This means that the products we handle require different storage techniques: chemicals must be stored at specific temperatures.

Grant: A paper warehouse really must have either multi-level dock positions or adjustable dock levelers to accommodate the variety of trucks. Three different levels are really required for over-the-road trailer height, delivery trucks and UPS vans. Another requirement for anyone who has cutting or wrapping operations is temperature and humidity control.

What new techniques have been incorporated in your newest facility?

Christensen: We are now putting together a warehouse management system that uses the computer to aid in the filling of orders. This is all geared to getting the most out of our warehouse labor.

Our new facilities are high cube, narrow aisle warehouses. With the cost of everything going up, what we want to do is maximize the use of the floor space.

The computer system is now used for locating everything in the warehouse: Primary stock, excess storage, everything is identified in the computer. When the order comes out of the computer, it tells exactly where to pick that order.

The new system can also generate the pick tickets by section of the warehouse so the picking can be split up between two or more order fillers. Then, the orders are consolidated for shipping to the customers.

Couleur: The newest facilities we have contain energy conservation materials. These include high candle-power, low energy consumption lighting, extremely good insulation, and strate-

ADVICE ON BUILDING NEW WAREHOUSES FROM THE EXPERTS

Construction

- 15-20% office space
- Rail siding optional
- Narrow aisles with appropriate materials handling equipment
- Good rack systems (possibly with flow racks)
- 30 foot high cube, high density storage
- Wall and ceiling insulation
- Design and construct the best possible roof you can to avoid future headaches
- Make dock doors 8½ x 10 feet
- Avoid building inside docks
- Build dock shelters
- Use graduated dock heights: 48 inch docks for trailers, 42 and 44 inch docks for delivery trucks, and 27 inch docks for UPS trucks and a ground level or drive-in dock for will-calls, sales people and others
- Truck levelers also can help

Energy

- Microprocessor control of heating system, air conditioning, lighting and security
- Good insulation in the side walls and the ceiling
- Avoid use of large office windows
- Select energy efficient windows
- Use insulated dock doors where you have severe weather conditions
- Use dock shelters
- Dock curtains can help (plastic strips)
- Use skylights where possible
- Sodium or mercury vapor lights are best
- All lighting should be on variable controls (0-100%)
- Heat pumps are impractical for most
- Direct fired, pressurized heating is good to reduce gas consumption

Information Systems

- Warehouse management system
- Computerization of inventory
- Location of primary stock by computer, as well as excess storage
- Computer generated pick tickets (also by zone)

gically placed heating units with high BTU output that are low energy consumers. We have been very sensitive about the issue of energy conservation. And the idea is to build these innovations in from the ground up.

Grant: We have stressed energy conservation in all of our new facilities. There is a pause right now in the fuel crunch, but energy costs are still going up. We have also stressed maximizing cubic density storage. Within the existing building and fire codes, we like to build the highest possible clear storage space. And, of course, going with that is narrow aisle construction with the appropriate materials handling equipment. Through a combination of all of these, we have been able to take advantage of every available inch.

What advice do you have for the merchant who is considering a new warehouse or would like to make improvement in his existing space?

Christensen: The difficulty with the single location, small to medium size merchant is how do you allow for growth? Typically, people don't add-on anymore because building costs are so high. We have this trouble with our own branch locations.

The best advice is to improve your cube utilization in this case. We narrow down the aisles. There is usually nothing you can do about raising the roof of an old building, but you *can* computerize. The computer can help with stock location and splitting up orders.

The challenge in retrofitting an old facility is to see how you can do more business out of the same space that was tight to begin with. Labor saving devices are really the way to go.

Couleur: In building a new building, it is absolutely essential that you first design the warehouse layout. The placement of racking and bulk storage areas, etc. should be designated. Then, the lighting plan should be superimposed on the layout. When all the positions and flows are agreed on, then the architect should design the building around it.

A distributor makes a mistake when he says "I need a 40,000 square foot box." This can cause problems. With the lighting, for example, once it's put in, you are constrained by it. Too often, merchant houses are run by sales oriented people. When building a new facility, get the operations people in on it from the beginning.

Grant: A new warehouse or an old one can be improved by the addition of a microprocessor unit to control the heat, lights, security, etc. It's a $10,000 investment that pays itself back quickly.

In new construction, the old rule-of-thumb still holds true. You should select a land site that will accommodate a future expansion of 50% in size of your facility. As originally constructed, the building should handle your needs for five to seven years. Then you can add on. But you should have enough office space designed in at the start to cover any future expansion. The old rule that office and service space should take only 10% of the total facility doesn't apply today. It should be 15-20% of the total building.

Locating your facility on a rail siding isn't necessary any longer. If you do select a sight that is near a rail line, don't put in the spur unit until you feel it is necessary. Save your money.

Build truck docks to the new Department of Transportation ruling allowing truck bodies to be widened to 8½ feet.

LISTEN TO YOUR WAREHOUSE PEOPLE

"I find that I can improve productivity by pointing out the importance of each man's work. Treat them the way you want to be treated," stated one distribution executive who was speaking about his warehouse people. He goes on to say that he respects his workers and their opinions, and so they are quick to offer suggestions that help improve efficiency.

According to the Warehousing and Physical Distribution's "Productivity Report," the employees who work in one specific area of the business each day know that area and its problems better than anyone else. They can feed remedies to management.

How can executives learn to be good managers of warehouse people? Learn to be a good listener says the report. An "open-door" management policy encourages workers to speak up about changes that might be beneficial to the company. One company even created a forklift rodeo pitting management against the regular operators. The entire event was written up in the company newsletter. Broadening the rodeo to also include management was fun and a morale booster. It showed that management wanted to gain a better understanding of the warehouse job.

Monthly meetings with warehouse staff, suggestion boxes and productivity improvement contests can all help. Be creative about improving efficiency and supporting the warehouse staff.

CHANGING HEALTH CARE PLANS

According to a recent survey by the Wyatt Company, there has been a dramatic increase in the number of U.S. businesses that have raised deductibles in their health care plans for employees. In 1984, 43% of the plans had deductibles of over $100, compared to only 5% in 1980.

The study examined 1,115 employers, representing a cross-section of U.S. companies all that have showed a significant change in the design of plans for salaried employees. For example, there has been a 25% increase since 1980 in the number of employers who require employee contributions for medical coverage.

The survey also revealed that 97% of these employers have included health care cost containment provisions in their 1984 plans. Of these provisions, 80% of the employers adopted pre-admission testing; 58%, second surgical opinions; 67%, health maintenance organizations; and 44%, hospice care.

Mead's new warehouse utilizes an AGV system. This wire guided robot vehicle moves products as needed around the warehouse.

MEAD'S CINCINNATI WAREHOUSE:

It is nearly the size of two football fields and it's new. Costing $4.2 million to build, the Mead Merchants/Chatfield Paper Company warehouse in Cincinnati, Ohio ships products to Fort Wayne or Louisville. . . overnight.

The new facility is the pride of the Mead Merchants fleet. The warehouse/converting facility/office complex covers nearly 150,000 square feet and is the hub of Mead's Central Area supporting their operations in Ohio, Indiana, and Kentucky. "Product availability and customer service have been the name of the game around here for 152 years," said Bob Wright, vice president, packaging sales. And their commitment to that principle has driven the development of the new facility.

The warehouse has indeed improved customer service for the company. The new warehouse gives Mead the ability to fill complete orders out of its expanded inventory and has eliminated the need for the branches to stock the great variety of low volume items local warehouses are usually saddled with. According to Mead, this has allowed the branches to be more responsive to customer needs by tapping the resources of the central warehouse. The system is a spoke and hub design that has increased the flow of paper products to customers.

"The real advantage of a system like this," said Gene Haskamp, operations manager, "is that if I have two cartons in Columbus, two cartons in Indianapolis and two cartons in Cincinnati, each area can only offer two cartons to their respective customers. Because of how our hub and spoke system is designed, we now have six cartons available to all of these places."

Servicing 10,000 customers in a three state region means the hub must be extremely responsive to its spokes. "Almost half our orders are mailed in or phoned in," said Adam Meyer, vice president, executive sales. "The other half are entered into the system by our field sales staff." Regardless of the order source, the Cincinnati warehouse is set up to provide next-day delivery of all orders received by 5:00 PM. This includes orders that must be relayed from a distant branch in another state.

Such a physical distribution system dictates a sophisticated computer network. The reliable movement of information has become as critical as the timely movement of goods. The Mead ware-

NEW METHODS THAT WORK

house utilizes a computer system manufactured by the Digital Equipment Corporation. It is an interactive, order entry/inventory control system that can accept orders from any point in its network.

From the moment products arrive in inventory until the time they leave for final delivery, they are tracked by the computer. Even the materials handling equipment in the warehouse is computer controlled. "Our receiving personnel place incoming materials on Automated Guided Vehicles (AGV's) for transport to the proper warehouse location," Wright explained.

The AGV is a wire-guided system that is programmed to go to specific locations in the warehouse. This $100,000 investment in robotics has improved the flow of goods to the various locations in the facility. The AGV is a programmable messenger that has an 18,000 lb. load capacity. "The AGV system has been very successful. It has reduced the travel distance for an individual in the warehouse," Haskamp stated. "It's a big cost savings. When a warehouseman needs part of an order he is working on packed, he would have to travel over to the packing room. The AGV transports the material automatically and then the packer sends it to the dock on the AGV." On the dock, orders are stretch-wrapped and placed on trucks for delivery. With three shifts in the warehouse, the work continues around the clock.

Mead reports that compared with its old facility, the new operation has doubled the productivity per warehouse employee. Part of that improvement is attributable to the new technology of the AGV's. Another bit of new technology is the flow racks. These act like vending machines. When the first carton is taken from the rack, another comes down to take its place. Nearly half of the Mead warehouse is utilizing flow racks.

"If you move across 10 feet of space in this warehouse, you will cross 56 different products," said Haskamp. "A warehouse worker can pull the products he needs from the flow racks and drop them off on an AGV at the end of his aisle. The employee never has to leave his work area." There are 3600 flow rack locations in five aisles. (Of course, each aisle is 130 feet long.) The warehouse areas not using flow racks are accessed by two electric turret trucks. The old fork lifts have been eliminated.

MEAD WAREHOUSE STATISTICS

Owner:	Mead Merchants/Chatfield Paper
Location:	3131 Spring Grove Avenue Cincinnati, Ohio 45225 513-681-2600
Site:	10.454 acres
Size:	103,000 square feet warehouse space 28,000 sqare feet converting space 16,000 square feet office space
Cost of Construction:	$4.2 million
Aisles:	6 Feet Wide
Cube Height:	31 foot ceiling 27 foot rack storage
Docks:	4 rail 16 truck
Trucks:	6 tractors 11 trailers 5 20-foot delivery vans
Employees:	140 total 12 converting 21 warehouse 11 drivers 2 dispatchers 3 traffic managers/clerks 91 office workers/managers
Shifts:	3
Unions:	Teamsters Office and Professional International Union Amalgamated Local 98
Computer System:	Digital Equipment Corporation
Trading Areas Serviced:	Cincinnati, OH Columbus, OH Dayton, OH Fort Wayne, IN Indianapolis, IN Louisville, KY Evansville, IN Hartford City, IN Lexington, KY

THE WAREHOUSE: TRACKING EXPENSES

PRINTING PAPER MERCHANTS
WAREHOUSE OPERATING EXPENSE

Median	1981	1982	1983	1984*	Your Firm
Storage Expense as % Whse. & Indir. Gross Profit	5.91	6.54	6.86		
Handling Expense as % W. & I.Gross Profit	12.72	13.58	12.02		
Delivery Expense as % W. & I.Gross Profit	12.52	13.52	12.30		
Facilities & Equip. Lease Payments as % Whse. Sales	1.58	1.82	1.51		

PRINTING PAPER MERCHANTS
WAREHOUSE PERSONNEL COMPENSATION & PRODUCTIVITY

Median	1981	1982	1983	1984*	Your Firm
Whse. Sales Per Cubic Ft. ($)	$ 6.84	$ 8.21	$ 9.04		
Avg. Pay Per *Whse. Employee* ($000)	$16.89	$18.36	$19.27		
Avg. Daily W. & I. Orders Per Whse. Employee	10.02	10.35	10.81		
Avg. Pay Per *Delivery Employee* ($000)	$17.82	$19.23	$21.04		
Avg. Daily W. & I. Orders Per Delivery Employee	21.83	20.01	23.26		

INDUSTRIAL PAPER MERCHANTS
WAREHOUSE OPERATING EXPENSE

Median	1981	1982	1983	1984*	Your Firm
Storage Expense as % Whse. & Indir. Gross Profit	5.90	6.07	6.50		
Handling Expense as % W. & I.Gross Profit	8.52	8.77	8.71		
Delivery Expense as % W. & I.Gross Profit	13.53	14.91	14.55		
Facilities & Equip. Lease Payments as % Whse. Sales	1.83	1.73	1.32		

Source: Annual MFI/NPTA PAR Surveys
*Data available June 1985, after PAR results are tabulated

In the February, 1985 issue of *MN*, Dr. Peter Mullins (co-principal of Management Foresight, Inc.) discussed the measurement of customer and product line profitability. He pointed out that it has been typical in recent years for distributors' gross margins to be eroded by higher operating costs.

One major operating cost area, which has eaten up over 33% of total warehouse and indirect gross profits each year, is warehouse expenses related to storage, handling, and delivery. This article examines the industry-wide averages for printing paper, industrial paper and dual merchants from 1981-83. Annual results derived from the NPTA/MFI PAR (Performance Analysis Report) survey were used.

Among the major distribution problems of the 1980s to be confronted are: 1) personnel productivity, 2) warehouse design and layout, 3) space utilization, and 4) cost control. Paper merchants can use information from a survey such as PAR to compare their warehouse personnel compensation levels to productivity gains, as well as to the industry overall. The same is true for warehouse sales generated per cubic foot of space.

Dr. Mullins states, in his new book *Measuring Customer & Product Line Profitability*: "Warehouse expenses can be a major cost of operations, particularly in a wholesale distribution firm that handles a large number of small stock orders with a unionized work force." It can be very valuable to allocate operating expenses to customers by commodity groups. Warehouse *operating* expenses can be related to the number of warehouse invoice lines. Warehouse *occupancy* expenses can be related to the square or cubic footage of space occupied. And, *delivery* expenses can be related to the number of delivery stops made.

Merchants should also be looking at the cost of *receiving* shipments from suppliers. Things which can be analyzed include: number of shipments received, cost to receive a shipment, and the number of incoming invoice lines handled. A "cost per delivery stop" can be calculated. This analysis reveals why particular accounts are

AND PRODUCTIVITY

"high expense accounts." As shown by the tables, storage/handling/delivery expenses combined ate up as much as 31% of a typical paper merchant's gross profits in 1983.

Between 1981 and 1983, the average salary paid to a warehouse employee rose 7% yearly for printing paper merchants (to $19,270 by 1983) 8.5% yearly for industrial houses (to $17,060), and 5.5% yearly for dual houses (to $16,300). Delivery employees fared even better. Their average pay rose 9% yearly for printing paper (to $21,040 by 1983), 8.6% yearly for industrial (to $17,060), and 5.8% yearly for dual houses (to $16,590).

With such substantial pay increases, it becomes crucial to also look at productivity gains and the utilization of warehouse space. Printing paper merchants have the highest warehouse sales per cubic foot of space, $9.04 in 1983. This figure rose 16.1% annually from 1981-83. Industrial merchants followed at $7.84 per cubic foot (up 14.7% yearly). Dual houses' sales per cubic foot, however, actually fell 6.7% annually, to $7.11 by 1983.

Blank columns are included in these tables, so that merchants may fill in their own 1984 results when PAR data is released in June. To help the merchant perform this product-line analysis, the following information is available via the PAR report or the NPTA research department (by region, company size, etc.)...

- Warehouse sales per cubic foot ($)
- Storage, handling, delivery expense as % sales or warehouse & indirect gross profit (%)
- Average pay per warehouse and delivery employee ($000)
- Average order size ($)
- Handling expense per warehouse and indirect order & line item ($)
- Average daily warehouse and indirect orders, per warehouse or delivery employee
- Average daily warehouse and indirect lines filled, per warehouse employee

Also note that NPTA will be holding three sessions of a new seminar (Dr. Peter Mullins, speaker) titled: "Measuring Customer & Product Line Profitability." Sessions will be held on July 25 - New York, Sept. 5 - Chicago, and Oct. 23 - Los Angeles. His new book by the same title.

INDUSTRIAL PAPER MERCHANTS
WAREHOUSE PERSONNEL COMPENSATION & PRODUCTIVITY

Median	1981	1982	1983	1984*	Your Firm
Whse. Sales Per Cubic Ft. ($)	$ 6.06	$ 6.75	$ 7.84		
Avg. Pay Per *Whse. Employee* ($000)	$14.58	$15.14	$17.06		
Avg. Daily W. & I. Orders Per Whse. Employee	20.87	19.31	18.72		
Avg. Pay Per *Delivery Employee* ($000)	$14.55	$14.97	$17.06		
Avg. Daily W. & I. Orders Per Delivery Employee	22.34	22.53	24.51		

DUAL PAPER MERCHANTS
WAREHOUSE OPERATING EXPENSE

Median	1981	1982	1983	1984*	Your Firm
Storage Expense as % Whse. & Indir. Gross Profit	6.41	6.78	7.86		
Handling Expense as % W. & I.Gross Profit	10.32	10.37	10.69		
Delivery Expense as % W. & I.Gross Profit	11.89	11.87	12.47		
Facilities & Equip. Lease Payments as % Whse. Sales	1.58	1.56	1.72		

DUAL PAPER MERCHANTS
WAREHOUSE PERSONNEL COMPENSATION & PRODUCTIVITY

Median	1981	1982	1983	1984*	Your Firm
Whse. Sales Per Cubic Ft. ($)	$ 8.22	$ 7.50	$ 7.11		
Avg. Pay Per *Whse. Employee* ($000)	$14.69	$16.35	$16.30		
Avg. Daily W. & I. Orders Per Whse. Employee	12.40	12.85	14.23		
Avg. Pay Per *Delivery Employee* ($000)	$14.86	$16.07	$16.59		
Avg. Daily W. & I. Orders Per Delivery Employee	21.19	23.51	23.37		

Source: Annual MFI/NPTA PAR Surveys
*Data available June 1985, after PAR results are tabulated

PRINTING PAPER

PRINTING INDUSTRY STATS AND FACTS

According to the Department of Commerce, the graphic arts indusry (SIC 27) once again has the highest number of establishments: 53,500 at last count. Of the 20 major manufacturing groups included in the U.S. government SIC system, this classification jumped in rank for three categories: SIC 27 now stands #6 in total dollar payroll ($22.7 billion annually); #9 in value of shipments ($85.8 billion) and #10 in average hourly earnings ($8.58).

Interestingly, the number of firms with fewer than 20 employees—as compared to all the firms in the category—dropped slightly, from 82 to 80%. However, notes the Printing Industries of America, Inc. (PIA), the total number of companies reporting fewer than 20 employees increased by 4.5% to 42,448, a reflection of the industry's expansion.

The highest employment level in the composition industry is in the paste-up artist, proofreader and keyboard operator industries—with over 500 employees reported in each of these groups, according to the *1984 Wage and Fringe Benefit Study* published by the National Composition Association, a special industry group of PIA. The typical firm has a median of four keyboard operators.

PRINTERS FOUND PAPER EASIER TO GET REPORTS NAPL

The last quarter of 1984 saw printers happier about their paper situation reported the National Association of Printers and Lithographers (NAPL) in their Business Indicator Report. As a result, industry wide average number of days of paper inventory on hand fell 1.1 days.

Coated publications grades are still "teetering on the brink of short supply" stated NAPL. But a number of heatset web printers responding to their survey indicated that their deliveries of coated paper have been improving and that there has been some apparent easing of supply. What has helped the situation, reported NAPL, were increases in coated groundwood and free sheet imports from Europe.

PAPER INVENTORY LEVELS

Type	Days
Heatset Web	45
Non-Heatset Web	45
Combination Web Plants	45
Sheetfed	26

GOVERNMENT LINKS DATA PROCESSING AND PRINTING FOR CONTRACT BIDDERS

In a move that has shaken up many printers around the country, the Government Printing Office (GPO) has required that bidders on the printing of some new army manuals must perform data processing as well. The 600-S contract, as it is called, combines automated data processing and printing under a single contract. The complexity of the work involved would limit the total number of bidders to a few.

When the project reaches its full development, reports Printing Industries of America (PIA), its annual value will be $35 million. The PIA Government affairs office has questioned the need for linking data processing and printing, especially when data processing will account for a signficantly smaller portion of the bid. What PIA expects is that the 600-S contract would be awarded to a data processing house that would in turn subcontract the printing. They are afraid that this link-up will become commonplace.

The Army manuals will require vast amounts of newsprint. PIA is also worried that the paper requirement will exceed the available U.S. supply and paper would have to be imported from Canada or other foreign sources.

PRINTING INDUSTRY ORDER BACKLOG COMPARISONS

	Comparison First Day of 1st Quarter 1985 to Last 6 Months and to All-Time High Average Backlog in Days				1985 versus 1984 Historical Comparison Backlog on January 1, 1985 versus January 1, 1984		
INDUSTRY GROUP	JULY 1	OCT. 1	JAN. 1	Record High§	MORE	SAME	LESS
All Groups*	14.7	18.0	16.4	18.0	29%	56%	15%
Sheetfed	11.3	14.5	14.1	17.3	29%	60%	11%
Heatset Web	29.1	33.6	31.4	35.0	25%	50%	25%
Nonheatset Web	17.5	16.8	18.7	22.8	28%	45%	31%
Business Forms†	12.1	9.7	15.9	19.9	43%	44%	13%
Quick Printers	2.1	4.7	5.4	5.4	20%	77%	3%

§Highest reported backlog 1980 to 1984, inclusive.
**Excluding Quick Printers.*
†Information for companies that produce business forms as a secondary (not a primary) product.
Source: *National Association of Printers and Lithographers.*

INDUSTRIAL PAPER

NAPM REPORTS ON INDUSTRIAL PAPER DEMAND

The National Association of Purchasing Management (NAPM) reported demand for industrial papers and packaging products in their February, 1985 issue of *Insight*. In general, purchasing managers saw that the supply of paper was healthy and demand has been soft.

Paperboard mill backlogs were reported to be minimal and linerboard mills had taken some downtime at year end. Backlogs for MF and MG northern natural kraft were low. NAPM felt that the weakness in the linerboard market, might change mill production for those manufacturers that can swing from paperboard to kraft.

Linear low-density plastic films were readily available, but co-extruded materials had increased lead times. There was adequate supply at the time of folding cartons and corrugated boxes.

CUT YOUR WAREHOUSE COSTS BY 20%

According to a recent article in *Handling and Shipping Management* magazine, the Berton Company in Commerce, California (a distributor to supermarkets, pharmacies and discount chain outlets) cut their operation costs by over 20% by installing a new conveyor system.

In a weak economy, high-volume merchandisers need to maintain a price-competitive warehouse and distribution system. Inefficient carton handling can escalate labor costs for these firms.

In 1981, the Berton Company found that its sales growth was a mixed blessing because of the concurrent strain on operations. The company realized that its labor inefficiencies were created by the large volume it tried to expedite through its material handling system.

According to Richard Craig, Berton vice president of operations, the company "was paying a premium because our order pickers were spending more time to load and push their carts than was logical. Warehouse employees were tripping over each other, with pullers working in the same aisle as stockers."

When the company moved into a new corporate headquarters/order processing facility, they chose to redesign its system to minimize these labor inefficiencies as well as others caused by manual carton lifting on and off their single, straight line conveyor.

Berton installed a 912 ft., three-level mezzanine for zone order stocking and picking, controlled flow conveyors for zone accumulation, and a 300 ft. recirculating loop for order collating. Also added was a trash collection and conveyor system on the first two levels of the mezzanine for delivery of corrugated cartons to a baler. In all, over 3,500 ft. of powered conveyors were installed for rapid processing.

Craig said the company's decision "lowered the number of warehouse employees from 85 to 65, yielding labor savings of 20%. These savings are offsetting our depreciation costs incurred by the new system."

"We were looking at a five-year payback period for our investment," he continued. "But, now we see a recoup in much less than that. We need fewer warehouse employees despite an increase in material handling demands."

Craig noted, "In that sense, we have enjoyed real growth productivity, not just better productivity due to staff reductions in a poor economy." The company's order-processing facility has realized a unit productivity gain of over 10%. The 187,000 sq. ft. facility is now picking and pricing 565 items an hour, up from 500 items.

Berton's zone-picking has also added to its new efficiency standards. On each level of the mezzanine, picking teams pick quantities from an area restricted to 20 feet (about 100 product facings). Reading from the computer-generated pre-printed tickets for the quantities needed, order pickers take items from each level's 68 case flow-rack bays. Orders are then placed in tagged cartons by use of tilted gravity roller conveyors. These new conveyors have minimized the number of products that topple over in their cartons during the order-picking process.

The empty stock cartons from the case flow-rack bays are placed on the trash collection and disposal conveyor. Trash from the third level is dropped through an opening under the conveyor onto the second-level conveyor.

Craig notes, "Loading stock from the rear chutes, and pulling and checking orders from the zoned areas, has ended the job of lifting cartons on and off the conveyors. We have also noticed a remarkable decrease in back injuries since we installed the new system."

Once a carton is filled, operators direct it to a takeaway conveyor on each mezzanine level. These conveyors deliver cartons to three lines of controlled-flow conveyors on the double checking mezzanine, where they are halted by airoperated high roller stops.

The company's double checkers match ticket information from the pre-printed tags with their own visual check of customer pricing, types of items, and quantities they see in each carton.

"We need zoned, controlled flow conveyors in our double checking process because we want to concentrate on order accuracy, not manual accumulation and carton checking," Craig emphasized. "We now have the speed we want by using our employees more efficiently."

The double checkers have to nudge the cartons upstream slightly, against the line flow when it is in the accumulation mode, in order to check a ticket or price label. Once the cartons have been double checked, they are released to accumulation zones for sequential release (three lines into one) to the recirculating loop.

The cartons are placed sequentially onto a 180° curve on one end of the loop by a center-metering conveyor. Each side of the loop is 140 feet and is composed of two zone accumulators each. This system uses a live-roller conveyor designed for accumulation and sequential release of products zone-by-zone or slug release of full-lines without line pressure. It has a series of interconnecting 24 and 30 inch zone conveyors.

Along both sides of the recirculating loop are multi-level, portable order carts. These carts accumulate a store's complete order of cartons from the loop.

One employee, the carton collator, picks these cartons for one or two stores at a time, allowing other cartons to pass and recirculate until he can move to another area of the loop.

The carts are then moved to a shipping area where the cartons are removed and loaded aboard delivery trucks.

Repack orders are identified by special labels and placed on another conveyor by the sortation loop collator. These cartons are delivered to the repack area where the individual items are cased, sealed, labeled and shipped.

WASHINGTON WATCH

TRUCKING LEGISLATION IN 1985

During the past year, wholesalers have been concerned about the changes taking place in trucking legislation that have affected both long distance shipping and local deliveries. The Motor Carrier Safety Act of 1984 is a case in point. The legislation, as originally proposed, would have applied the Bureau of Motor Carrier Safety (BMCS) long-haul, over-the-road trucking regulations to local or intrastate commerce (over 10,000 pound trucks).

Senator Danforth of Missouri wanted to bring these within-the-state deliveries under the BMCS regulations. The National Association of Wholesale-Distributors (NAW) worked to defeat the intrastate portion of the bill. It took a tremendous amount of effort on their part to head off that part of the legislation.

"As the legislation was finally enacted," states Richard Turney, consultant to NAW on transportation issues, "it deals with truck safety in interstate commerce and mandates a two-year study of intrastate accidents. They were attempting to apply long-haul trucking field inspection and vehicles put out of service statistics to intrastate trucking. So, we were able to get a two-year study of the intrastate situation put into the legislation. What they were trying to do was write apple legislation with orange statistics. You can't do that," he said.

The NAW position prevailed over the extreme objections of Senator Danforth. The two-year study, now underway, is being conducted by the Department of Transportation (DOT). When the study is completed, DOT will make recommendations to Congress as to whether any of the BMCS regulations should apply to intrastate commerce. The verdict will be handed down in 1986 and many are not optimistic about it. New regulations for intrastate commerce may be inevitable.

There are provisions in any legislation that can be fought. But if all the rules that apply to over-the-road trucks find their way to the local level, merchants may have more record keeping to do. "The driver daily log, for example, may be totally unnecessary for local delivery vehicles," said Turney. "The driver should not have to be 21 years of age for the local level. Daily inspections of the vehicle with all the records being kept at the business site, etc. are quite burdensome regs."

Further Deregulation?

In 1980, the Motor Carrier Act became law. "The Act provided for annual Congressional review of the implementation and effect of motor carrier deregulation for a period of five years," said Patrick O'Connor, partner of the law firm Kent and O'Connor in Washington, DC. "With this five-year period coming to an end (this July), many in industry and the Congress are eager to pursue further deregulation with the goal of ending economic regulation of truck transportation and 'sunsetting' the ICC (Interstate Commerce Commission)," said O'Connor in the January/February, 1985 issue of *Warehousing Review*.

What they were trying to do was write apple legislation with orange statistics. You can't do that.

The mood for further deregulation is present on the Hill. It is still too early to tell whether or not Congress will be able to gain a concensus of all groups involved (as was done in 1980). There will probably be further deregulation in ratemaking and some say that the trucking industry may go the way of the airline industry. "Even though the airlines have been deregulated, there is still a need for a supervisory organization to handle rates, etc." said Turney. "I don't think it's very likely that the ICC will be dismantled." It is not clear at this point whether the American Trucking Association will be in favor or against further deregulation. Paper merchants will have to wait and see what develops in the new Congress. A new Motor Carrier Act may not even come to a vote in this Congress.

SUPPLIERS AND FREIGHT RATES

The deregulation of the trucking industry has resulted in the determination of discounted freight rates between shippers and truckers. However, many wholesaler-distributors are finding that their suppliers are charging them back for freight, not at the discounted rate, but at a higher published tariff rate. Thus, the supplier is not only making a profit on the goods purchased, but also on the freight charges.

The discounted rates are usually the result of a rebate that is based on the volume of goods shipped and received with a designated carrier after the published tariff has been paid. These rebates can account for more than 25% off the published tariff.

Some suppliers remit this rebate back to the wholesaler-distributor who has paid the gross freight rate. However, others do not. Thus, the wholesaler-distributor may end up paying more than the actual freight cost for the shipment.

For example, a supplier ships goods to a wholesaler-distributor via common carrier at the wholesaler-distributor's own expense, F.O.B. suppliers dock. For the method of shipment, the wholesaler-distributor simply says "best way" or leaves it blank. The supplier then arranges for shipment via its designated carrier, prepays the gross freight rate and bills the wholesaler-distributor for this amount. The supplier then receives the determined rebate from the carrier and pays only a net freight charge.

Freight charges amount to a significant cost item for most wholesaler-distributors. Thus, it may be well worth it to check with suppliers to determine exactly what their policy is regarding freight rebates. Also, a wholesaler-distributor should specify how the product is to be shipped in order to become entitled to receive any discounts or rebates from the carrier as the shipper.

FEBRUARY, 1985

PAPER MERCHANT SALES REPORT

NPTA Regions	Sales Per Selling Day February 1985 - Compared To - February 1984	Sales Per Selling Day February 1985 - Compared To - January 1985	Sales Per Selling Day 1985 Year-to-Date - Compared To - 1984 Year-to-Date	Days Outstanding (Accounts and Notes) At Close of February 1984	1985	Calendar Days' Cost* of Ending January Inventory 1984	1985
INDUSTRIAL							
1	- 1.3	+ 6.7	+ 2.0	48	45	53	–
2	+ 4.7	+ 6.2	+ 3.9	38	35	53	54
3	- 2.7	- 5.7	+ 3.2	39	36	67	61
4	- 2.8	+ 1.2	+ 0.9	39	37	61	63
5	- 1.8	- 1.7	+ 0.1	37	35	64	71
6	+ 7.8	+ 6.6	+ 6.8	44	38	–	–
7	+ 0.1	+ 3.0	- 1.9	40	39	71	66
NY Metro	+11.9	+ 2.3	+12.2	44	41	–	–
Chicago Metro	+ 4.5	+ 0.5	+ 3.0	41	38	–	–
LA Metro	+ 3.3	+ 2.1	+ 2.0	50	43	60	50
US	**+ 1.0**	**+ 1.0**	**+ 2.4**	**41**	**38**	**61**	**61**
PRINTING							
1	- 3.2	+ 1.2	+12.3	59	55	–	–
2	+ 8.8	+13.3	+ 7.0	47	45	65	65
3	+10.1	+ 4.2	+ 9.3	43	43	87	79
4	+ 7.7	+ 1.3	+ 8.0	43	41	73	68
5	+12.8	+ 2.5	+ 9.6	45	42	87	84
6	+12.2	+ 8.3	+ 9.2	39	39	–	–
7	+ 2.0	+ 4.8	+ 3.0	44	39	89	86
NY Metro	-10.2	- 3.4	- 1.5	43	41	–	–
Chicago Metro	+ 1.5	- 1.3	+ 7.0	45	41	–	–
LA Metro	+15.2	- 1.7	+15.2	42	39	87	100
US	**+ 5.1**	**+ 2.7**	**+ 7.0**	**45**	**42**	**82**	**78**

*To calculate monthly inventory turnover, divide 365 calendar days by # of calendar days cost, e.g., 365/73 = 5.00x.

Region 1: CT, ME, MA, NH, RI & VT
Region 2: DE, DC, MD, NJ, NY & PA (excluding NY Metro)
Region 3: AL, FL, GA, NC, SC, TN & VA
Region 4: IL, IN, KY, MI, MO, OH, WV & WI (excluding Chicago Metro)
Region 5: CO, IA, KS, MN, MT, NE, ND, SD, WY
Region 6: AK, AZ, CA, HI, ID, NV, NM, OR, UT & WA (excluding LA Metro)
Region 7: AR, LA, MS, OK & TX
NY Metro: NY: New York City, Long Island and Westchester Co. NJ: Counties of Bergen, Essex, Hudson, Middlesex, Passaic and Union
Chicago Metro: IL: City of Chicago and Cook, DuPage and Lake Cos. IN: Lake Co.
LA Metro: Cities: Los Angeles, and San Diego. Counties: Los Angeles, San Diego, Orange and Ventura (and neighboring parts of Riverside and San Bernadino)

Selling Days
The actual number of days a firm was open for business or that the sales people made customer calls [calendar days less weekends (if applicable) and holidays]. By supplying selling days of each firm, the sales per selling day are standardized according to actual business conditions or company policies.

Days Outstanding
The number of days outstanding on this report are calculated by adding the current month's sales and the previous month's sales and dividing the total by the number of calendar days of the two months. The result is a figure representing average sales per calendar day.

The total figure provided for closing accounts and notes receivable is divided by the average sales per calendar day. The result is the number of days outstanding at the end of the month being prepared.

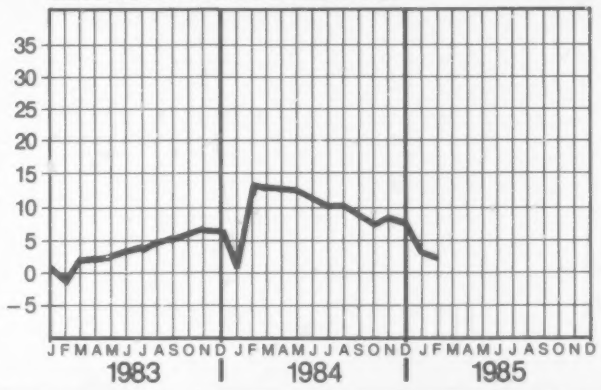
PAPER MERCHANT SALES REPORT

SUMMARY NATIONAL TREND INFORMATION: 1983 TO PRESENT

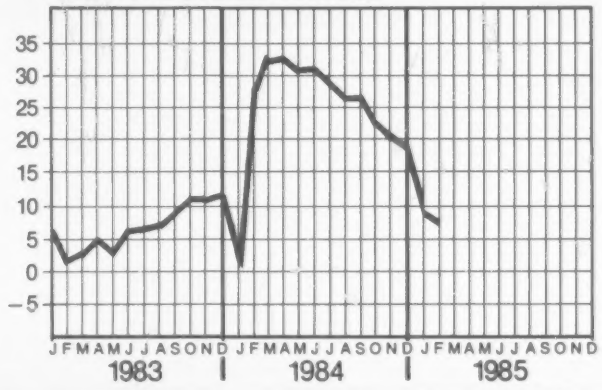
SALES INFORMATION

YEAR-TO-DATE SALES PER SELLING DAY AS A PERCENTAGE OF PREVIOUS YEAR'S YEAR-TO-DATE SALES PER SELLING DAY

INDUSTRIAL PAPER SALES NATIONALLY



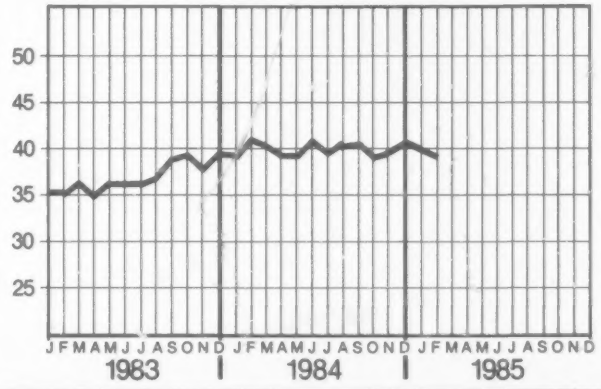
PRINTING PAPER SALES NATIONALLY



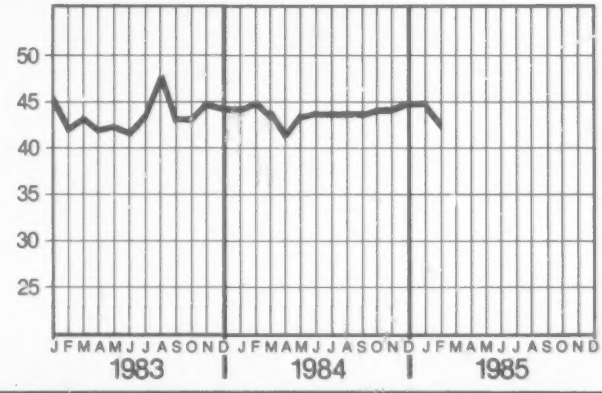
RECEIVABLES INFORMATION

DAYS OUTSTANDING—ACCOUNTS AND NOTES RECEIVABLE FROM PAPER SALES AT END OF EACH MONTH (IN CALENDAR DAYS)

INDUSTRIAL PAPER RECEIVABLES NATIONALLY



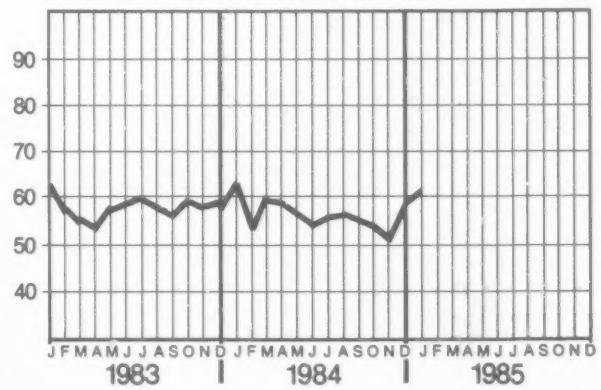
PRINTING PAPER RECEIVABLES NATIONALLY



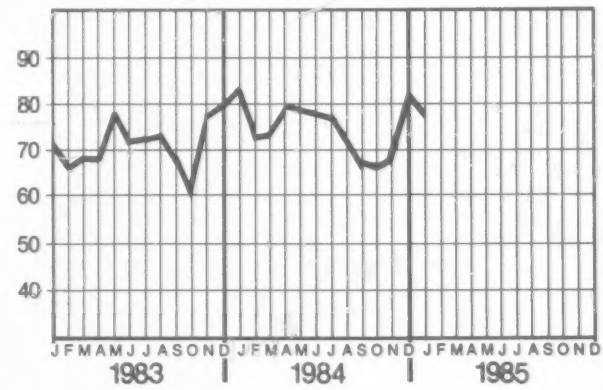
INVENTORY INFORMATION

CALENDAR DAYS COST OF ENDING MONTHLY INVENTORY (FIFO) (IN CALENDAR DAYS)

INDUSTRIAL PAPER INVENTORY NATIONALLY

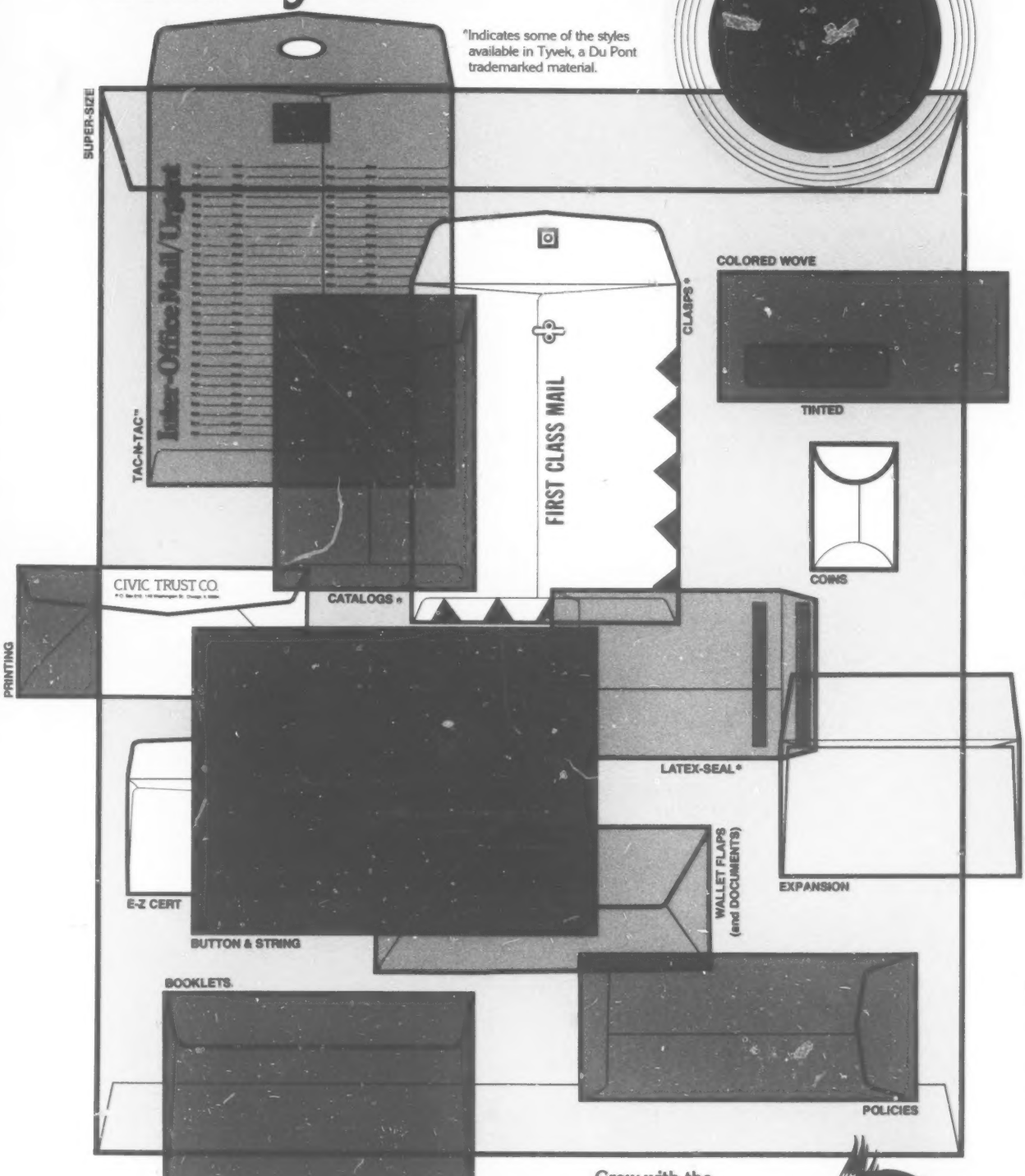


PRINTING PAPER INVENTORY NATIONALLY



Who but National Envelope Offers so many styles, even Tyvek

*Indicates some of the styles available in Tyvek, a Du Pont trademarked material.



National Envelope Corporation

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